

Jim Gibbons
Governor



Tara Hagan
Executive Officer

COMMITTEE

Jim Barnes, Chair
RETIRED

Rex Reed, Vice Chair
NDOC

Brian Davie
LCB

Diane Comeaux
DCFS

Andrew MacKay
NTA

Nevada Public Employees' Deferred Compensation Program

DEFERRED COMPENSATION COMMITTEE MEETING MINUTES FOR

Cameron Vandenberg
Deputy Attorney General

Thursday, February 18, 2010, 9:00 a.m.

STAFF and ATTORNEY PRESENT:

Tara Hagan, Executive Officer
Jenny Potts, Secretary
Cameron Vandenberg, Deputy Attorney General

OTHERS PRESENT:

Bill Abramowicz, Hartford
Bishop Bastien, ING
John Borne, Nationwide
Matt Condos, ING (by phone)
Scott Craigie, Hartford
Jack Crawford, Retired
Jim Crawford, Retired
Susan Dalton, Mercer
Kent Ervin, UNR
Lisa Gilarde, ING (by phone)
Michael Hackett, Hartford
Duane Jeffers, Prudential
Julie Klassen, Great-West
Eileen Kwei, Mercer
Michael McAtamney, TIAA-CREF
David Luo, Mercer (by phone)
Jamie Ohl, Hartford
Steve Platt, ING
Mark Scalercio, Hartford
Doug Skelley, Hartford (by phone)
Todd Theroux, Hartford (by phone)
Robert Trenerry, Hartford
Tom Verducci, Hartford
Steve Watson, Hartford
Nicole Willis-Grimes, ING

These minutes are a draft subject to approval by the Deferred Compensation Committee at the next regularly scheduled meeting. The agenda for this meeting was posted according to the Nevada Open Meeting Law and was sent to groups and individuals as requested.

I. COMMITTEE

A. Call to Order/Roll Call

The 4th quarterly meeting of the Deferred Compensation Committee was called to order by Chair Brian Davie at 9:00 am, February 18, 2010, in Room 2135 of the Legislature Building, 401 S. Carson St., Carson City, NV. Members Present: Vice Chair Mr. Jim Barnes, Mr. Andrew MacKay, Ms. Diane Comeaux, and Mr. Rex Reed.

B. Election of Chair and Vice-Chair*

Mr. Rex Reed nominated Mr. Jim Barnes as Chair, seconded by Ms. Diane Comeaux. Motion made by Mr. Andrew MacKay to elect Mr. Jim Barnes as Chair and seconded by Mr. Rex Reed. Motion carried unanimously 5-0.

Mr. Jim Barnes nominated Mr. Rex Reed as Vice-Chair, seconded by Mr. Andrew MacKay. Motion made by Ms. Diane Comeaux and seconded by Mr. Andrew MacKay. Motion passed unanimously 5-0.

C. Approval of the minutes of the meeting on November 19, 2009, and December 17, 2009*

Motion made by Mr. Brian Davie to approve the minutes for the November 19, 2009, and December 17, 2009, meetings, seconded by Vice Chair Mr. Rex Reed. Motion passed unanimously 5-0. (Exhibit A, Tab IC)

D. Meeting Dates*

Staff noted the meeting dates have changed from the third Wednesday of the month to the third Thursday. (Exhibit A, Tab ID)

Motion made by Vice Chair Mr. Rex Reed to approve the meeting dates as submitted or amended, seconded by Mr. Brian Davie. Motion passed unanimously 5-0.

II. PROGRAM REPORT

A. Plan Activity as of 12/31/09

Staff reported the plan activity for December 31, 2009, which included an increase in the overall assets of approximately \$76 million (19%) from the same time period in 2008. Staff noted contribution amounts decreased by approximately 5% in calendar year 2009 as compared to calendar year 2008. (Exhibit A, Tab IIA, Pages 1-5, and Exhibit B, pages 1-6)

Ms. Diane Comeaux questioned whether the decline in contribution amounts was the result of participants decreasing or stopping their contributions. In addition, Mr. Andrew MacKay questioned whether the decline in contributions was most noticeable following the July 1, 2009 implementation of the furlough days which decreased the majority of State employees' compensation. Staff will research these issues and provide a report prior to the next meeting.

B. Performance Indicators- Quality Investment Options

Staff provided current information regarding the Plan's performance indicators. Staff noted an increase in the percentage of funds with top ratings (4-5 stars from Morningstar) which as of December 31, 2009 were at 62% versus 48% as of September 30, 2009. Staff reported the increase was primarily due to the removal of the ING Solution Portfolios. (Exhibit B, Page 7)

C. 2009 Annual Participant Fee and Provider Revenue Reconciliation Report*

Staff provided the 2009 Annual Participant Fee and Provider Revenue Reconciliation Report. Staff noted the Program is following Department of Labor (DOL) proposed rules by disclosing fees and costs annually. Staff reviewed the Plan's administrative fees (revenue sharing) and credit allowances. (Exhibit A, Tab IIC, and Exhibit B, Pages 8-11)

Staff noted ING's fees are consistent with its contract and no adjustment is necessary for 2009. Staff noted outstanding issues regarding Hartford's pending contract amendment and requested discussion of item II-D Hartford Contract Amendment. It was noted that Staff, legal counsel and Hartford have all agreed on amendment language, Staff will begin the execution of the amendment. (Exhibit C)

Staff will work with the Providers to credit Participant accounts consistent with the providers' excess credit allowance. Staff noted monies are credited based on Participants' pro rata account balances as of 12.31.09, however amounts of \$10 or less are diminimus and will not result in a credit.

Motion made by Mr. Brian Davie to direct Staff to work with Hartford to lower the expenses on variable funds to bring the current contract in compliance or immediately secure the fully executed contract amendment approved by the Committee within 30 days, and failure to successfully execute the amendment will result in a requirement to comply with original contract in payment in excess revenue to the plan for 2008 and 2009, seconded by Vice Chair Mr. Rex Reed. Motion passed unanimously 5-0.

In response to a question by Mr. Brian Davie, Ms. Jamie Ohl verified that the Hartford would sign the contract amendment.

D. Hartford Contract Amendment Update*

This agenda item was discussed under Item II-C 2009 Annual Participant Fee and Provider Revenue Reconciliation Report. (Exhibit A, Tab IID)

III. INVESTMENT REPORT

A. Guaranteed Option Rate Changes

Staff noted the contractual change in crediting rates for each provider's guaranteed investment option. The Hartford General Account for calendar year 2010 will credit 4.75% and the ING Stabilizer Fund 3.00%. (Exhibit A, Tab IIIA, and Exhibit B, Page 13)

B. Provider Request for Information (RFI) Report

Staff presented a report on the Provider Request for Information (RFI) which was conducted in response to Committee, Staff and Participant concerns regarding the impact of deteriorating provider credit ratings. (Exhibit A, Tab IIIB, and Exhibit B, Pages 14-16)

Chair Mr. Jim Barnes questioned the cost of the RFI. Staff noted that no hard dollar costs were associated with the RFI, as it was conducted and distributed by Staff.

Chair Mr. Jim Barnes questioned the crediting rate for the proposed stable value options. Staff noted that the historical yields on the proposed options were all comparable and competitive amongst each other. Staff also noted the reasons for conducting the RFI were not to seek a higher crediting rate but rather to seek a viable option which was insulated from the providers' credit ratings, transparent, and diversified.

C. ING Stabilizer Option Alternative*

Staff presented information which outlined concerns with the current ING Stabilizer Fund. The concerns noted were:

- Performance issues
- Investment manager changes
- Plan exit provisions

Staff recommended replacing the ING Stabilizer with the ING Stable Value Fund when market conditions allow (market to book value reaches 100%). The new option provides the following:

- Reduces liquidity risk (Plan exit provisions)
- Reduces credit/default risk with the use of multiple insurance providers
- Improves diversification with the use of multiple investment managers
- Reduces overall fees

(Exhibit A, Tab IIIC, and Exhibit B, page 17)

Motion made by Mr. Brian Davie to eliminate ING Stabilizer Fund when the market to book value reaches 100% and select the ING Stable Value Fund, seconded by Vice Chair Mr. Rex Reed. Motion carried unanimously 5-0. (Exhibit B, Page 18)

D. State Street Global Advisors (SSgA) Collective Investment Funds*

Staff noted documentation was received by Hartford requesting the Program formally adopt the State Street Global Advisors (SSgA) collective investment trust. Staff also noted all fees collected from the funds since their inception dates into the Plan through March 19, 2010, will be returned to participants on a pro-rata basis. Staff reported Hartford has provided its assurance that formal adoption of the trust will not affect the Plan's ability to withdraw 100% of funds at anytime without penalty. (Exhibit A, Tab IIID, Pages 1-2)

Motion made by Vice Chair Mr. Rex Reed to direct Staff to formally adopt the trust SSgA funds in the Plan with the understanding that the Plan will remove monies from SSgA Target Date funds upon finding a suitable replacement, seconded by Mr. Brian Davie. Motion carried unanimously 5-0.

E. Target Date Fund Discussion*

Staff provided an update on the target date funds which included the removal of the ING Solutions Portfolios on February 19, 2010, and discussions regarding limited replacement options for the State Street Global Advisors (SSgA) target date funds. In addition, Staff requested the Plan delay the changes to the ING Custom Portfolios in light of the potential upcoming change to the ING Stabilizer Fund. (Exhibit A, Tab IIIE, Pages 1-2, and Exhibit B, Page 19).

Motion made by Vice Chair Mr. Rex Reed to direct Staff to work with Mercer and Hartford to add either the Vanguard or Barclays Global Investors (BGI) target date funds to its platform in a reasonable timeframe, seconded by Brian Davie. Motion carried unanimously 5-0. (Exhibit B, Page 20)

F. Investment Offering Review presentation by Mercer and Staff

Mercer Representative presented a quarterly performance review of the Deferred Compensation Program investment options for period October 1, 2009, through December 31, 2009. (Exhibit D)

G. Fund Watch List Approval*

(Exhibit B, Page 21)

▪ Van Kampen Equity & Income	Add to Watch
▪ Mutual Global Discovery Fund	Add to Watch
▪ Lazard US Mid Cap Equity	Remain on Watch
▪ Oppenheimer Main Street Small Cap Fund	Remain on Watch
▪ Hartford General Account	Remain on Watch
▪ ING Stabilizer Fund	Remain on Watch/Replace
▪ AllianceBernstein International Value	Remain on Watch
▪ Evergreen Special Value	Remove from Watch

Motion made by Mr. Brian Davie to approve the Committee's Fund Watch list, seconded by Ms. Diane Comeaux, motion passed unanimously 5-0.

IV. ADMINISTRATION

A. Fiduciary Education Presentation by Deputy Attorney General and Staff

Staff and the Deputy Attorney General presented information regarding fiduciary roles and responsibilities. Staff reviewed the Department of Labor standards for fiduciaries. The Deputy Attorney General reviewed information contained in the Nevada Board and Commission Manual, in addition to discussing the relevant components of Nevada's Open Meeting Law. (Exhibit A, Tab IVA and Exhibit B, pages 22-28)

Vice Chair Mr. Rex Reed questioned the Program's policy regarding documenting participant complaints. Staff noted complaints are generally handled by Staff and not documented unless material in nature. Vice Chair Mr. Rex Reed also questioned the Program's record retention policy. Staff and the Deputy Attorney General will provide specific information regarding the Program's policy.

B. Executive Officer Annual Performance Review*

Staff noted the established general categories of review for the Executive Officer. Staff provided a report on the Executive Officer's key accomplishments and challenges in 2009. (Exhibit A, Tab IVB and Exhibit B, pages 29 and 30)

Mr. Brian Davie thanked Staff for the hard work and dedication in a difficult year. Mr. Davie also noted the extraordinary changes the Program has seen over the past two years since the addition of Staff.

Mr. Andrew MacKay also thanked Staff for the hard work and noted the impressive amount of work that is accomplished by Staff.

Vice Chair Mr. Rex Reed recommended the Committee explore the possibility of placing a formal letter in Staff's personnel file.

Motion made by Vice Chair Mr. Rex Reed to approve the Executive Officer performance review as submitted or amended, seconded by Mr. Brian Davie. Motion carried unanimously 5-0.

C. Provider Annual Performance Review*

Staff presented the 2009 provider review which included roles and responsibilities outlined in the both the contracts and *Investment Policy Statement*. Staff presented a report on the 2009 goals of both providers. Staff noted satisfaction with the providers' efforts despite the difficult economic and market environment. Staff also noted the 2010 provider goals and a desire to continue to strive for more communication with participants and non-participants despite the difficult environment.

Staff presented information on the providers' contractual service guarantees. Staff noted ING was unable to fulfill its contractual obligations regarding participant withdrawals. Staff recommended the Program pursue collection of the \$5,000 fine, pursuant to the contract. (Exhibit A, Tab IVC, Exhibit B, Page 31)

Ms. Diane Comeaux questioned how the monies were to be used by the Program. Staff noted monies will be placed in the Plan's reserve account. Ms. Comeaux requested Staff and ING explore restoring the interest amounts lost to participants due to the delay in processing.

Motion made by Mr. Brian Davie to direct Staff to work with ING to collect the \$5,000 service guarantee fine and work with ING to identify the losses those participants accrued from them and be reimbursed, seconded by Ms. Diane Comeaux. Motion passed unanimously 5-0.

D. Investment Consultant Annual Performance Review*

Staff presented the 2009 investment consultant review which included roles and responsibilities as outlined in the contract and *Investment Policy Statement*. Staff discussed both the successes and challenges in 2009 and noted overall satisfaction with Mercer's performance. Staff also noted a Department of Labor questionnaire will be provided to Mercer for completion. Staff will provide this information to the Committee prior to the next meeting. (Exhibit A, Tab IVD, Exhibit B, Page 32)

Mr. Davie thanked Mercer for its professionalism and work quality over the past year.

Vice Chair Mr. Rex Reed questioned Mercer regarding a pending lawsuit with the State of Alaska. Mercer noted that the case relates to a separate entity within Mercer and that it will provide Staff with additional information regarding the lawsuit. Vice Chair Mr. Rex Reed also questioned Staff regarding the contract exit provisions with Mercer. Staff noted all of the Program's third-party contracts allow for a 30 day termination notice without cause by either party.

E. Participant Survey Report

Staff provided information regarding the participation survey which was distributed to over 13,000 participants during November 2009. Staff received approximately 2,300 completed surveys, of which 700 were received electronically. Staff noted the overwhelming message was a focus on communication; Staff included the major themes noted by participants. Additionally, Staff noted the results revealed some confusion regarding the role of the Committee versus that of the service providers. Staff recommended exploring the costs and feasibility of directly distributing the survey in 2010 to assist in further clarifying the Committee's governance role. (Exhibit A, Tab IVE, and Exhibit B, Page 33-36)

F. Summary Plan Document Amendment*

Staff recommended changes to the Summary Plan document based on the Mercer Compliance Review. (Exhibit A, Tab IVF)

Motion made by Vice Chair Mr. Rex Reed to approve the Summary Plan Document as submitted, seconded by Mr. Brian Davie. Motion carried unanimously 5-0.

G. FICA-Alternative Plan Summary Document*

Staff noted the creation of a Summary Plan document for the FICA-Alternative Plan based on the Mercer Compliance Review.

Motion made by Mr. Brian Davie to approve the FICA-Alternative Summary Plan Document as submitted, seconded by Mr. Andrew MacKay. Motion carried unanimously 5-0.

H. Investment Policy Statement Review*

Staff noted the Program's policy is to review the Investment Policy Statement annually, generally at the first calendar meeting of the year. Staff explained the proposed changes are less material in nature and more for clarification. (Exhibit A, Tab IVH)

Motion made by Mr. Brian Davie to approve the Statement of Investment Policy as submitted, seconded by Vice Chair Mr. Rex Reed. Motion carried unanimously 5-0.

V. RATIFICATION AGENDA*

Motion made by Mr. Brian Davie to approve the Ratification Agenda items as submitted or amended, seconded by Mr. Andrew MacKay. Motion passed unanimously 5-0.

VI. COMMENTS

A. Public

Bill Abramowitz, Hartford.

Mr. Kent Erwin, UNR. Mr. Erwin requested the Program review its plan document in light of the State of Nevada's Domestic Partners Act.

B. Deputy Attorney General had nothing to report

C. Vice Chair Mr. Rex Reed requested Program budget information.

In preparation for the May meeting, Mr. Brian Davie requested members consider both budget issues and bill draft requests which the Program may want to consider submitting as part of the 2011 Legislative Session.

Mr. Andrew MacKay thanked both Hartford and ING and noted since taking the Committee appointment he has received only positive feedback with no complaints from participants regarding either provider.

Chair Mr. Jim Barnes requested Staff include budget information in the Committee packet.

D. Staff updated the Committee on the compliance audit resolution and Laura Wallace contract.

VII. ADJOURNMENT

The meeting was adjourned at 12:46 pm.

Respectfully Submitted:

Jenny Potts
Administrative Assistant

Approved by:

Tara Hagan
Executive Officer

LIST OF EXHIBITS

Exhibit A is the packet of informational items prepared by Staff for Committee members for the February 18, 2010 meeting and containing Tabs I through IV.

Exhibit B is the presentation handout from Staff.

Exhibit C is the proposed Hartford contract amendment.

Exhibit D is the Mercer Report dated Fourth Quarter 2009 and entitled *Performance Evaluation, State of Nevada*.

Exhibit E is the packet of statistical and other information provided by Hartford.

Exhibit F is the packet of statistical and other information provided by ING.